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BANCORP RHODE ISLAND, INC.

FORM 10-Q

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BANCORP RHODE ISLAND, INC.
Consolidated Balance Sheets
(Unaudited)

	September 30, 2005	December 31, 2004
	-----	-----
	(In thousands)	
ASSETS:		
Cash and due from banks	\$ 29,019	\$ 21,585
Overnight investments	8,954	14,094
	-----	-----
Total cash and cash equivalents	37,973	35,679
Investment securities available for sale (amortized cost of \$141,363 and \$103,953 at September 30, 2005 and December 31, 2004, respectively)	139,593	104,600
Mortgage-backed securities available for sale (amortized cost of \$237,791 and \$159,581 at September 30, 2005 and December 31, 2004, respectively)	235,573	159,946
Stock in Federal Home Loan Bank of Boston	15,625	13,229
Loans and leases receivable:		
Commercial loans and leases	439,293	402,770
Residential mortgage loans	302,323	316,135
Consumer and other loans	199,915	167,396
	-----	-----
Total loans and leases receivable	941,531	886,301
Less allowance for loan and lease losses	(11,758)	(11,906)
	-----	-----
Net loans and leases receivable	929,773	874,395
Premises and equipment, net	14,820	11,857
Goodwill	11,262	10,766
Accrued interest receivable	6,457	5,666
Investment in bank-owned life insurance	18,642	18,132
Prepaid expenses and other assets	7,533	4,799
	-----	-----
Total assets	\$1,417,251	\$1,239,069
	=====	=====
LIABILITIES:		
Deposits:		
Demand deposit accounts	\$ 175,682	\$ 167,682
NOW accounts	90,635	108,159
Money market accounts	18,702	16,489
Savings accounts	349,388	339,836
Certificate of deposit accounts	327,092	248,508
	-----	-----
Total deposits	961,499	880,674
Overnight and short-term borrowings	24,436	18,050
Wholesale repurchase agreements	10,000	--
Federal Home Loan Bank of Boston borrowings	290,539	234,778
Subordinated deferrable interest debentures	18,558	18,558
Other liabilities	8,533	8,086
	-----	-----
Total liabilities	1,313,565	1,160,146
	-----	-----

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SHAREHOLDERS' EQUITY:

Preferred stock, par value \$0.01 per share, authorized 1,000,000 shares:		
Issued and outstanding: none	--	--
Common stock, par value \$0.01 per share, authorized 11,000,000 shares:		
Issued and outstanding 4,707,252 shares and 4,010,554 shares, respectively	47	40
Additional paid-in capital	65,517	42,852
Retained earnings	40,714	35,373
Accumulated other comprehensive (loss) income, net	(2,592)	658
	-----	-----
Total shareholders' equity	103,686	78,923
	-----	-----
Total liabilities and shareholders' equity	\$1,417,251	\$1,239,069
	=====	=====

See accompanying notes to consolidated financial statements

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BANCORP RHODE ISLAND, INC.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months September	
	2005	2004	2005	
	(In thousands, except per share data)			
Interest and dividend income:				
Commercial loans and leases	\$ 7,295	\$ 5,891	\$ 20,471	\$
Residential mortgage loans	3,772	4,081	11,767	
Consumer and other loans	2,648	1,882	7,205	
Mortgage-backed securities	2,541	1,714	6,632	
Investment securities	1,386	1,240	3,996	
Overnight investments	52	17	152	
Federal Home Loan Bank of Boston stock dividends	168	85	452	
	-----	-----	-----	-----
Total interest and dividend income	17,862	14,910	50,675	
	-----	-----	-----	-----
Interest expense:				
NOW accounts	138	272	469	
Money market accounts	65	55	178	
Savings accounts	1,287	1,088	3,371	
Certificate of deposit accounts	2,388	1,411	6,187	
Overnight and short-term borrowings	171	38	419	
Wholesale repurchase agreements	51	--	151	
Federal Home Loan Bank of Boston borrowings	2,671	1,924	7,058	
Subordinated deferrable interest debentures	324	276	934	
	-----	-----	-----	-----
Total interest expense	7,095	5,064	18,767	
	-----	-----	-----	-----

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Net interest income	10,767	9,846	31,908
Provision for loan and lease losses	410	200	1,064
	-----	-----	-----
Net interest income after provision for loan and lease losses	10,357	9,646	30,844
	-----	-----	-----
Noninterest income:			
Service charges on deposit accounts	1,176	1,156	3,411
Commissions on nondeposit investment products	324	312	722
Income from bank-owned life insurance	169	159	509
Loan related fees	368	104	807
Commissions on loans originated for others	45	12	131
Gain (loss) on sale of investment securities	--	(9)	--
Gain on sale of mortgage-backed securities	85	--	181
Other income	414	303	1,340
	-----	-----	-----
Total noninterest income	2,581	2,037	7,101
	-----	-----	-----
Noninterest expense:			
Salaries and employee benefits	5,013	4,566	14,484
Occupancy	795	675	2,298
Equipment	386	409	1,195
Data processing	616	664	2,113
Marketing	397	270	1,187
Professional services	474	512	1,485
Loan servicing	243	239	709
Loan workout and other real estate owned expense	64	8	98
Other expenses	1,173	1,038	3,229
	-----	-----	-----
Total noninterest expense	9,161	8,381	26,798
	-----	-----	-----
Income before income taxes	3,777	3,302	11,147
Income tax expense	1,310	1,124	3,813
	-----	-----	-----
Net income	\$ 2,467	\$ 2,178	\$ 7,334
	=====	=====	=====
Per share data:			
Basic earnings per common share	\$ 0.53	\$ 0.55	\$ 1.67
Diluted earnings per common share	\$ 0.50	\$ 0.52	\$ 1.58
Average common shares outstanding - basic	4,682,357	3,988,311	4,399,995
Average common shares outstanding - diluted	4,892,262	4,228,666	4,628,975

See accompanying notes to consolidated financial statements

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BANCORP RHODE ISLAND, INC.
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

Additional
Accumulated
Other
Compre-
hensive

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Nine months ended September 30,	Common Stock -----	Paid-in Capital -----	Retained Earnings -----	Income (Loss), Net -----	Total -----
			(In thousands)		
2004					

Balance at December 31, 2003	\$39	\$41,439	\$29,074	\$ 1,555	\$ 72,10
Net income	--	--	6,337	--	6,33
Other comprehensive income, net of tax:					
Unrealized holding losses on securities available for sale, net of taxes of \$127				(246)	(24
Reclassification adjustment, net of taxes of \$113				(219)	(21
Comprehensive income					5,87
Exercise of stock options	--	478	--	--	47
Exercise of stock warrants	1	699	--	--	70
Common stock issued for incentive stock award, net	--	26	--	--	2
Dividends on common stock (\$ 0.44 per common share)	--	--	(1,713)	--	(1,71
Balance at September 30, 2004	\$40	\$42,642	\$33,698	\$ 1,090	\$ 77,47
	===	=====	=====	=====	=====
2005					

Balance at December 31, 2004	\$40	\$42,852	\$35,373	\$ 658	\$ 78,92
Net income	--	--	7,334	--	7,33
Other comprehensive income, net of tax:					
Unrealized holding losses on securities available for sale, net of taxes of \$1,624				(3,132)	(3,13
Reclassification adjustment, net of taxes of \$63				(118)	(11
Comprehensive loss					4,08
Proceeds from stock offering	7	21,450	--	--	21,45
Acquisition of Macrolease	--	250	--	--	25
Exercise of stock options	--	941	--	--	94
Common stock issued for incentive stock award, net	--	24	--	--	2
Dividends on common stock (\$ 0.45 per common share)	--	--	(1,993)	--	(1,99
Balance at September 30, 2005	\$47	\$65,517	\$40,714	\$ (2,592)	\$103,68
	===	=====	=====	=====	=====

See accompanying notes to consolidated financial statements

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BANCORP RHODE ISLAND, INC. Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2005	2004
	----- (In thousands)	
Cash flows from operating activities:		
Net income	\$ 7,334	\$ 6,337
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	2,169	2,840
Provision for loan and lease losses	1,064	700
Gain on sale of investment securities	--	(332)
Gain on sale of mortgage-backed securities	(181)	--
Income from bank-owned life insurance	(509)	(478)
Compensation expense from restricted stock grant	24	26
(Increase) decrease in:		
Accrued interest receivable	(791)	(90)
Prepaid expenses and other assets	(737)	(533)
Increase (decrease) in:		
Other liabilities	447	(132)
Other, net	(192)	21
	8,628	8,359
	-----	-----
Cash flows from investing activities:		
Origination of:		
Residential mortgage loans	(3,252)	(7,429)
Commercial loans and leases	(80,215)	(82,835)
Consumer loans	(64,017)	(75,437)
Purchase of:		
Investment securities available for sale	(51,520)	(48,993)
Mortgage-backed securities available for sale	(128,341)	(88,660)
Residential mortgage loans	(36,981)	(37,494)
Federal Home Loan Bank of Boston stock	(2,396)	(2,311)
Principal payments on:		
Investment securities available for sale	13,999	31,000
Mortgage-backed securities available for sale	36,410	37,509
Residential mortgage loans	53,483	93,898
Commercial loans and leases	42,863	23,138
Consumer loans	31,237	30,623
Proceeds from sale of investment securities	--	8,428
Proceeds from sale of mortgage-backed securities	13,754	--
Capital expenditures for premises and equipment	(4,735)	(1,861)
	(179,711)	(120,424)
	-----	-----
Cash flows from financing activities:		
Net increase in deposits	80,825	74,765
Net increase (decrease) in overnight and short-term borrowings	6,386	(2,221)
Proceeds from long-term borrowings	258,908	119,155

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Repayment of long-term borrowings	(193,147)	(79,970)
Proceeds from issuance of common stock	22,398	1,178
Dividends on common stock	(1,993)	(1,713)
	-----	-----
Net cash provided by financing activities	173,377	111,194
	-----	-----
Net increase (decrease) in cash and cash equivalents	2,294	(871)
Cash and cash equivalents at beginning of period	35,679	27,817
	-----	-----
Cash and cash equivalents at end of period	\$ 37,973	\$ 26,946
	=====	=====
Supplementary Disclosures:		
Cash paid for interest	\$ 18,427	\$ 14,074
Cash paid for income taxes	4,577	3,777
Non-cash transactions:		
Acquisition of Macrolease	250	--
Transfer to OREO	247	--
Change in other comprehensive income, net of taxes	(3,250)	(465)

See accompanying notes to consolidated financial statements

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BANCORP RHODE ISLAND, INC. Notes to Consolidated Financial Statements

(1) Basis of Presentation

Bancorp Rhode Island, Inc. (the "Company"), a Rhode Island corporation, is the holding company for Bank Rhode Island (the "Bank"). The Company has no significant assets other than the common stock of the Bank. For that reason, substantially all of the discussion in this Quarterly Report on Form 10-Q relates to the operations of the Bank and its subsidiaries.

The audited consolidated financial statements include the accounts of the Company and its wholly-owned direct subsidiary, the Bank, and its indirect subsidiaries, BRI Investment Corp. (a Rhode Island passive investment company), BRI Realty Corp. (a real estate holding company), Macrolease Corporation (an equipment leasing company) and Acorn Insurance Agency, Inc. (a licensed insurance agency). The Company adopted Financial Accounting Standards Board ("FASB") Interpretation 46-R, "Consolidation of Variable Interest Entities - Revised" on December 31, 2003, and therefore deconsolidated its statutory trust subsidiaries as of that date. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited interim results of consolidated operations are not necessarily indicative of the results for any future interim period or for the entire year. These interim consolidated financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the annual consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC").

In preparing the unaudited consolidated financial statements,

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management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses and goodwill valuation.

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and prevailing practices within the banking industry and include all necessary adjustments (consisting of only normal recurring adjustments), that, in the opinion of management, are required for a fair presentation of the results and financial condition of the Company.

(2) Earnings Per Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised and resulted in the issuance of additional common stock that then shared in the earnings of the Company.

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(3) Stock Based Compensation

The Company has adopted Statement of Financial Accounting Standards ("SFAS") 123, "Accounting for Stock-Based Compensation." This Statement establishes a fair value based method of accounting for stock-based compensation plans under which compensation cost is measured at the grant date based on the value of the award and is recognized over the service period. However, the Statement allows a company to continue to measure compensation cost for such plans using the intrinsic value method under which no compensation cost is recorded if, at the grant date, the exercise price of the option is equal to the fair market value of the company's stock. The Company has elected to continue to follow the intrinsic value method; accordingly, the Company must disclose in the notes to its financial statements various information as if the fair value based method of accounting had been applied.

In December 2004, the FASB issued SFAS 123-R, "Share-Based Payment", which requires companies to recognize an expense in the income statement for the grant-date fair value of stock options and other equity-based compensation issued to employees using the fair value method. This expense will be recognized over the period during which an employee is required to provide service in exchange for the award. This Statement carries forward prior guidance on accounting for awards to non-employees. If an equity award is modified after grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately prior to the modification.

On April 14, 2005, the SEC announced the adoption of a new rule that amends the compliance dates for SFAS 123-R, which requires registrants to implement SFAS 123-R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005, which for the Company is January 1, 2006.

The following table summarizes the differences between the fair value

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and intrinsic value methods of accounting for stock-based compensation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net income (in thousands):				
As reported	\$2,467	\$2,178	\$7,334	\$6,337
Compensation cost, net of taxes (1)	(101)	(142)	(267)	(383)
	\$2,366	\$2,036	\$7,067	\$5,954
	=====	=====	=====	=====
Earnings per common share:				
Basic:				
As reported	\$ 0.53	\$ 0.55	\$ 1.67	\$ 1.60
Compensation cost, net of taxes (1)	(0.02)	(0.04)	(0.06)	(0.10)
	\$ 0.51	\$ 0.51	\$ 1.61	\$ 1.50
	=====	=====	=====	=====
Diluted:				
As reported	\$ 0.50	\$ 0.52	\$ 1.58	\$ 1.50
Compensation cost, net of taxes (1)	(0.02)	(0.03)	(0.06)	(0.09)
	\$ 0.48	\$ 0.49	\$ 1.52	\$ 1.41
	=====	=====	=====	=====